



E-Bulletin

The NHS (General Medical Services – Premises Costs) Directions 2013: Key Changes

As part of the fundamental structural reform of the NHS on 1 April, the National Health Service (General Medical Services – Premises Costs) Directions 2013 (the Premises Cost Directions) came into force. The Directions now form the statutory framework within which reimbursement of premises costs to GP practices will be dealt with by NHS England (the NHS Commissioning Board (the Board)) and while they are substantially the same as the 2004 version which they replace, they do contain a number of important changes.

Key Changes

Private Income

There will no longer be a statutory requirement for the Board to reduce payments made under the Directions where the premises are used to generate private income. Practices do not, therefore, have to declare their private income when making an application for financial assistance. The Department of Health has stated that practices undertaking “high levels” of private work may still see recurring cost reimbursement reduced, but this is not reflected in the Directions.

Mortgage Redemption Fees

Where a practice re-mortgages its premises to a lower fixed interest rate, the Board must consider a written application for financial assistance to cover all or a proportion of the redemption fees that may be incurred as result of the re-mortgage.

Professional Fees

The categories of reimbursable professional expenses on construction or refurbishment work (whether for notional rent or borrowing costs) now includes project manager’s fees capped at 1% of the total reasonable contract sum. Overall reimbursable professional costs are now capped at 12% of the total reasonable contract sum relating to the construction or refurbishment work.

Pre-Approval of Certain Arrangements

The Directions prohibit the Board from funding any proposal for:

- the building or development of new premises
- the purchase of premises
- the sale and leaseback of premises
- the increase of existing floor area of premises
- premises improvements, which are subject to a premises improvement grant application

unless the proposal has been approved by the Board before the relevant contract has been entered into or work has commenced.

Rent Reimbursement

If a practice is in receipt of rent reimbursement for leasehold practice premises, the Board must review its assessment of current market rent whenever the landlord undertakes a rent review (unless the review does not result in a change to the level of the rent charge) and on any variation of the terms of the lease (even if such a variation does not result in a change to the rent). Where the Board is assessing current market rent on rent review, it will require a signed rent review memorandum recording the change in rent level. Practices will therefore have to engage with their landlords to settle the reviewed rent before any increased sum will be reimbursed and may require expert advice in order to do so.

Financial Assistance and Relocation

There is no longer a requirement that practices relocate to “modern” premises in order to be eligible for financial assistance for the costs arising from that relocation. It will now be sufficient that the Board has approved the new premises in its estates strategy for investment prioritisation.

Further Changes

The Directions also contain a number of further changes: for example, in relation to abatement periods for notional rent payments, reimbursement for car parking spaces and the calculation of notional rent. While it is outside the scope of this e-bulletin to comment on each and every change, all of the changes have the scope to affect the manner in which premises costs are met by the Board.

How Capsticks can help

For more information on the detailed provisions of the Directions, to arrange bespoke training on the subject or discuss issues relevant to your organisation please contact:

[Sam Hopkins](#), [Duncan Gordon-Smith](#) or [James Atkins](#).

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